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NATIONAL ECONOMIC POLICY

ENTERPRISES' RESPONSIBILITY FOR OWN PROFITS, LOSSES DISCUSSED

Beijing JINGJI YANJIU in Chinese No 8, 20 Aug 79 pp 70-75 HK

[Article by Zhang Shuguang [1728 2562 0342]]

[Text] At present, economic workers and theoreticians in our country are discussing how to restructure our system of economic management to meet the needs of the four modernizations and consolidate the development of the socialist economy. Many comrades have suggested that the operating principle of assuming the sole responsibility for one's profits or losses should be put into effect among the enterprises owned by the whole people. It is a good idea. But, what do we mean by assuming the sole responsibility for one's profits or losses? What is the origin and how it has developed? What are its content and form? How should it be put into effect and what are the conditions for putting it into effect? What are the questions that may arise and how should they be settled? These questions remain to be studied thoroughly. This article will try to make a preliminary analysis of these questions. Criticism and comment on any improper point of analysis will be appreciated.

I. Assuming Sole Responsibility for One's Own Profits or Losses--Its Origin and Development

Assuming responsibility for one's own profits or losses is a product of a commodity economy and is a very old principle of operation. In a natural economy characterized by self-sufficiency, a producer made an item for his own use. So long as he produced use-value directly to satisfy his need, his total aim was achieved. Here there was no conception of profits or losses, nor demand for avoiding losses and striving for profits. Along with the emergence of commodity production and development of commodity exchange, the products turned out by a producer are not for satisfying his immediate needs but for exchange. A close connection is developing between him and society. Through exchange he realizes the value of his commodity and is compensated for his expenditure, thereby gaining his survival and development. For this reason, it is necessary for him not only to calculate his expenditures and gain but also to compare his expenditures and gain with the social average and necessary labor expended, to offset his

outlay with his income and to think about gains or losses. If he has profits his production will develop; if he has losses, he is menaced with bankruptcy. Such is the origin of assuming the sole responsibility for one's own profits or losses. Commodity production is not an independent mode of production. It is dependent upon other modes of social production and is determined by, and at the service of, the latter. For this reason, in different socioeconomic formations the principle of assuming sole responsibility for one's own profits or losses has different socioeconomic contents, reflecting entirely different relations of production.

The relative independence of an enterprise's economic position is an important characteristic of socialist economy. The socialist principle of assuming sole responsibility for one's own profits or losses is determined by this economic position of enterprises in the socialist system of production. Under the socialist system, an enterprise is a basic unit of social production and is an independent commodity producer. With economic independence the enterprise needs to and should operate independently, carry out business accounting independently and assume sole responsibility for its own profits or losses. However, this independent operation and accounting are based on public ownership of the means of production and are guided by unified plans. Thus, the profits made by an enterprise are not owned by a certain person or a certain social group but are owned by the laborers together and controlled by them. In the case of a socialist enterprise, assuming sole responsibility for its own profits or losses means that not one person or a few persons but the enterprise collectively assumes responsibility for the results of their operations and that direct connections are built between the interests of the enterprise collective and its members and the results of their operations. Here, assuming sole responsibility for one's own profits or losses not only reflects the identity of responsibility to society and the responsibility to individuals but also reflects a correct integration of the interests of the state, the collective and the individual. It is an important form of integrating the laborers directly with the means of production and perfecting and developing socialist public ownership.

In our country, as a principle of managing the socialist economy, assuming sole responsibility for one's own profits or losses has gone through a process of development and change. Along with the socialist transformation of agriculture, handicrafts and capitalist industry and commerce, it emerged first in the economic organizations owned by the collective. Summing up experiences and lessons in this respect, the eighth national congress of the party proposed putting into effect the principle of "assuming sole responsibility for one's own profits or losses" among a section of the cooperative organizations. Comrade Chen Yun proposed at the congress: "It is imperative to change many large cooperatives into small cooperatives and to change the unified calculation of cooperative profits and losses into a system under which various cooperative teams or households assume responsibility for their profits or losses." ("Documents of the Eighth National Congress of the Chinese Communist Party," p 331) He took the view

that this change was suited not only to the majority of service trades but also to many manufacturing trades. In the movement for the universal establishment of people's communes, the mistake of "egalitarianism and indiscriminate transfer of resources" encroached upon the rights and interests of collective economic units and greatly damaged agricultural production. In 1962, on the basis of summing up experiences and lessons the 10th plenum of the eighth CCP Central Committee adopted the "Revised Draft of Working Regulations of the Rural People's Communes." Chapter 4, Article 20 on production teams in the "Revised Draft" clearly stipulated: "The production team is the basic accounting unit of a people's commune. It carries out independent accounting, assumes sole responsibility for its own profits or losses and directly organizes production and distribution of income. After it is instituted it will remain unchanged at least for 30 years." Thus, assuming sole responsibility for one's own profits or losses was formally made a principle of operation for collective economic organizations. However, this principle has not been seriously put into effect and carried out.

It was not until recently that the implementation of the principle of assuming sole responsibility for one's own profits or losses among the enterprises owned by the whole people was proposed. When deliberating on and discussing how to restructure our system of economic management, the majority of our comrades have felt that the greatest abuse in our present system of economic management is that power is over-centralized in the center (or at the provincial and municipal levels), control is too tight and the independence of enterprises is too limited. Revenue and expenditure are centralized. Purchase and marketing are under state monopoly. Responsibility for profits and losses is assumed by the state. Unified accounting is practiced for the whole country, and all enterprises eat from the same pot and get the same treatment irrespective of whether they do more or do less, do a good job or a bad job, make profits or lose money. This is one of the deepest reasons for our chaotic economic management, great waste and low efficiency. Simultaneously with this, under relatively poor conditions of operation some industrial enterprises owned by the collective and "big collective" that operate on the principle of assuming sole responsibility for their own profits or losses, have achieved better economic results and made greater contributions. This state of affairs has aroused widespread attention of our comrades and given them food for thought. The reason why the above questions have arisen is, theoretically speaking, because we lack a correct understanding of the economic position occupied by enterprises in the socialist system of production and do not recognize enterprises as relatively independent commodity producers and because we overlook the economic relations among the state, the collective and the individual centering on enterprises and their economic interests, not knowing that such relations are precisely a concentrated expression of the socialist relations of production. On the basis of reexamining the relative independence of enterprises' economic position, an idea has been proposed of extending enterprises' prescribed rights, gradually putting into effect the principle of assuming sole responsibility for one's own

profits or losses and practicing business accounting by way of restructuring our system of economic management.

II. The Content and Form of the Socialist Principle of Assuming Sole Responsibility for One's Own Profits or Losses

Lenin said: "That trusts and enterprises are placed on the basis of business accounting is aimed at making them assume full responsibility and insuring that their enterprises will not lose money. If they cannot achieve this, I think they should be tried and the whole body of directors should be punished by depriving them of their freedom for a long period (with parole after a considerable period) and confiscating all of their property." (Lenin: Collected Works, "To the People's Council of Finance," Vol 35, p 549) Comrade Mao Zedong also said: "Make all factories run along the enterprise line. All factories should take their economic profits and losses as the growth and decline of their undertakings. Salaries for all employees should be drawn from the profits made by the factories, and they should not receive public grain, clothing or allowances." (Mao Zedong: Selected Works, "Economic Question and Financial Question," Dongbei Bookstore, 1948 edition, p 822) These treatises profoundly reveal the content and essence of the socialist principle of assuming sole responsibility for one's own profit or losses.

In a socialist economy, an enterprise that carries out independent business accounting in an overall way is economically an independent legal person who must have his own economic authority, responsibility and interests. The economic authority of an enterprise refers to its authority to manage production independently, including authority to make decisions and authority to arrange in the spheres of personnel, finance, supplies, production, supply and marketing. The economic responsibility of an enterprise means that the enterprise must follow planned state guidance, fulfill economic contracts and gain profits, otherwise it will have to answer for its economic losses. The economic interests of an enterprise mean that the enterprise owns and allocates its profits to develop production and satisfy the needs of its staff and workers. Assuming sole responsibility for one's own profits or losses is a generalization of close combination of the three. Stripped of any aspect, assuming responsibility for one's profits or losses will become idle talk, and an enterprise will be unable to take the initiative in organizing production and operating independently. Therefore, assuming sole responsibility for one's own profits or losses is a sign that an enterprise is a legal person economically independent. To put into effect the principle of assuming sole responsibility for one's own profits or losses, it will be necessary to clearly prescribe the authority, responsibility and interests of an enterprise so that the enterprise can, on the basis of state plans and its own conditions, organize all of its activities of production and operation independently, effectively take the initiative and assume full responsibility for its profits or losses. The problem with us now is that we have not done so. Authority, responsibility and interests are divorced from one another. The one who

has authority does not assume economic responsibility, and the one who assumes economic responsibility acquires no economic interest. Consequently, everybody strives for economic and administrative authority and refuses to accept economic responsibility. In name everybody assumes responsibility but in reality no one does. Everyone tries to acquire more economic interests but no one succeeds in doing so because with a mismanaged economy and a lack of production increases, no economic interests can be acquired.

It is through production and distribution of enterprise profits that the principle of assuming sole responsibility for one's own profits or losses is translated into reality. Under the socialist system, profits are the monetary expression of the value of surplus products created by the laborers. The base and substance of profits are surplus products. Quantitatively, profits are the difference between the price of products and the cost. The difference is the enterprise's net income. The main requirement of the principle of assuming sole responsibility for one's own profits or losses is to offset expenditures with income and make profits. To this end, an enterprise must do everything it can to increase its production, practice rigid economy, raise labor productivity and achieve the maximum results with the minimum expenditure. So far as this point is concerned, there is no difference between the two kinds of socialist economic organizations owned by the public. But, as the authority, responsibility and interests are combined in different ways and through different channels and as the ways of owning and allocating the profits are not the same for these two kinds of economic organizations, two different types of assuming sole responsibility for one's own profits or losses appear.

In the case of enterprises owned by the collective, the means of production are collectively owned by the laborers of the enterprises concerned. Each enterprise enjoys full authority to manage production and distribute its income. Its profits are owned only by the whole body of its members and are distributed (with the exception of income tax) within the enterprise. (The industrial enterprises owned by the "large collective" are essentially local state-operated enterprises owned by the whole people and not economic organizations owned by the collective.) Losses are to be jointly assumed by members of the enterprise. Losses may either be written off by decreasing the income of each laborer or may be made up by the enterprise's assets. Wages for its staff and workers will change entirely according to the state of its operations. There is no limit on how much they can earn. (Some comrades objected to this. They think the state may set a limit on earnings. We think, however, this is not a proper thing to do. To set a limit on earnings would still mean taking ownership by the collective as ownership by the whole people and encroaching upon the rights of an enterprise owned by the collective to make its own decision in distributing its income. If the income of a certain enterprise is still too high, the state may make suggestions besides making adjustment by collecting income tax but may not make hard and fast rules.) The minimum is also not guaranteed. In other words, an enterprise and its members must assume full responsibility for the profits or losses in their operations.

In the case of enterprises owned by the whole people, assuming sole responsibility for one's own profits or losses is relative. It is not full assumption of responsibility for one's profits or losses. In other words, it is not assuming responsibility in the strict sense. The profits of an enterprise are created by its staff and workers together and are directly owned by the enterprise. But they are produced with the aid of the means of production owned by the whole people. Consequently, they are also property owned by the whole people. If, on account of different means of production and different quality of the means of production, the enterprise income shows some difference, the state may take corresponding measures (such as collecting fund tax and differential resource tax) for adjusting it. The profits (except a certain tax paid to the state) made by an enterprise as a result of good operation and management should be owned by the enterprise and distributed within the enterprise. However, the ratio of distribution should be worked out according to the relevant regulations of the state. The state may and should set a limit on the highest amount and a limit on the lowest amount. The balance should be transferred to the enterprise development fund. If losses occur, the enterprise concerned will not make a profit, the enterprise leaders should be subjected to legal and economic sanctions and its staff and workers can only get the minimum amount of wages. But workers' wages may not be lowered below the minimum standard, and losses may not be made up by selling the fixed assets owned by the whole people. These are the distinctions between the two ways of assuming sole responsibility for one's own profits or losses.

This being the case, with enterprises (owned by the whole people) assuming sole responsibility for their own profits or losses, how should their net income (that is, profits) be distributed among the state, enterprises and workers?

The general principle is to insure an appropriate distribution of profits among the state, enterprises and workers. It is necessary to determine rational proportions of distribution on the basis of investigating history, analyzing the present state and forecasting developments. If the state takes too much, the economic interests of the enterprises will be encroached upon, and assuming responsibility for one's own profits or losses will lose its meaning and purpose. If the state takes too little and gets too little revenue, it will be impossible to solve the important problems arising from the development of the national economy and such a circumstance will be unfavorable to the whole society. If the workers get too little in the distribution of profits within their enterprise, it will be difficult to bring their enthusiasm and initiative into play. If an enterprise gets too little, it will be impossible to satisfy the need of its own development. In either case, unfavorable effects will be produced on enterprise production and operation.

Let us look at the ways in which profits can be distributed. Distribution to the state can be done in two forms: Profit and tax. The two forms may be used simultaneously or combined into one. To substitute the collection

of income tax for delivery of profits to the state is a better way of embodying the requirement of the principle of assuming sole responsibility for one's own profits or losses. Distribution to enterprises can be done by building up enterprise funds including a production development fund, collective welfare fund and reward fund. Enterprises should make their own decisions concerning the use of these funds. Distribution to workers can be done by paying them wages and bonuses. Under the principle of assuming sole responsibility for one's own profits or losses, wages should be made flexible, otherwise enterprises will be unable to assume sole responsibility for their own profits or losses. Therefore, we suggest dividing wages into two parts: Fixed wages or minimum wages to be determined by the state; flexible wages which should change along with changes in the amount of an enterprise's profits and which should be controlled by enterprises and appropriately adjusted by the state. This will integrate the personal interests of workers directly with the results of enterprise operations.

On the basis of this analysis, let us look back on the road we have traveled over the last 30 years. In handling the relations of economic interests between the state and enterprises, distribution was done in three ways in addition to the system of unified income and expenses, under which enterprises delivered all of their profits to the higher authorities and their losses were made up by the state: 1.) Building up a factory superintendent fund or enterprise fund. This was done in the 1950's. After an enterprise made profits, a factory superintendent fund and four items of expense (for technical measures, new product trial-manufacture, labor safety and production measures and purchase of odd fixed assets) were drawn from a certain percentage of the wage fund for the workers' collective welfare and small-scale technical transformation. 2.) Profit sharing. This was started in the 1960's when the "70 Articles" were put into effect, was later disrupted by Lin Biao and the "gang of four" and is now being tried again. After making profits, the enterprise concerned and the state are to divide the profits on a percentage basis. The state fixes the percentage of profits to be set aside for the three kinds of funds, and the balance is delivered in the form of profit to the state. 3.) Assuming sole responsibility for one's own profits or losses. After making a profit, an enterprise, having paid tax and interest to the state, retains and disposes of the remaining profits. This is the direction in which we are restructuring our system. The three ways may be regarded as three development stages of our enterprise and economic management. When the factory superintendent fund was established enterprises had a very limited independence and right to make their own decisions, the material interests of enterprises and their workers had some connections with the way of enterprise operations but the connections were not direct and were weak. At the stage of profit sharing, enterprise independence and the right to make their own decisions are enlarged and the economic interests of enterprises and their workers have direct and comparatively close connections in enterprise operations. So long as the profits retained by enterprises are quite large, the system of profit sharing bears, to a considerable degree, the character of assuming

responsibility for one's own profits or losses. Thus, the system of profit sharing, which we are going to put into effect, is a stage of transition to the system of assuming sole responsibility for one's own profits or losses. Only by putting into effect such a principle of operation as assuming sole responsibility for one's own profits or losses can the independence of enterprises and their right to make their own decisions be fully embodied and can the interests of enterprises and their workers be more closely linked to the results of enterprise operations. From this it can be seen that the transition from the first way to the last is the process of raising the level of our enterprise and economic management.

III. The Prerequisite and Condition for Implementing the Principle of Assuming Responsibility for One's Own Profits or Losses

To do business accounting and operate enterprises on the principle of assuming sole responsibility for one's own profits or losses is an important reform of our work of economic management. It involves every aspect of the national economy and is a complicated problem. It presupposes certain prerequisites and conditions. At present, these prerequisites do not exist and conditions are not ripe. We should give the matter overall consideration, make a comprehensive study and work out a unified restructuring scheme. At the same time, we should actively create conditions so that restructuring can be achieved at an early date.

First, it will be necessary to readjust the proportions of national economic development and change the present phenomenon of striking imbalance. This is not only a condition for rapid development of our national economy but also a prerequisite for restructuring our economic system and putting into effect the principle of assuming sole responsibility for one's own profits or losses. Without solving these problems, it is difficult to restructure our system of economic management with the desired effect and impossible to put into effect the principle of assuming sole responsibility for one's own profits or losses. Take the supply of materials, fuel and electricity for example. If supply falls short of demand and factories operate under capacity, it is difficult to maintain normal production. Under such circumstances, enterprises will not accept the principle of assuming sole responsibility for their own profits or losses and, even if they accept it, they will be unable to put it into effect. We should draw on our experience of readjustment in the early 1960's and concentrate our forces on readjustment. We should achieve an overall balance and actively create conditions for restructuring our system while we are carrying out readjustment.

Second, it will be necessary to restructure our system of management in the spheres of planning, finance, supplies, labor and price and give enterprises the necessary authority to operate and do business accounting independently. This is the primary condition for putting into effect the principle of assuming sole responsibility for one's own profits or losses. Only when they have authority to operate and do business accounting independently can enterprises assume full responsibility for the results of their operations.

Third, since profits represent the difference between product price and cost, working out rational prices is an important condition for putting into effect the principle of assuming sole responsibility for one's profits or losses. If prices are not rational, they cannot correctly reflect the state and results of enterprise operations. Take coal, electricity and oil for example. In 1978, the production cost of one ton of crude coal allocated by the state was 16.34 yuan and its price was 15.96 yuan; after paying tax a loss of 1.67 yuan or 10 percent was incurred. The cost of one ton of gasoline was 246.70 yuan and its price was 560 yuan; a profit of 313.30 yuan or 127 percent was made. Obviously, it is not that the gap in operational level was so great between the two but that irrational prices concealed the state of operations. Under such circumstances, the more coal enterprises produce the greater losses they incur with the result that their production enthusiasm is dampened. On the other hand, oil refinery enterprises, even if their management and operations are poor, can make more profit. This makes it easy to conceal the problems existing in their operations and management. This circumstance is not favorable to improving operations and management. Further, at the present technical level of our country, one ton of crude coal with a calorific capacity of 4,500-5,000 large calories can generate 1,000-1,500 kilowatt hours and the electric power department can make a profit of 34 to 51 yuan, whereas the coal enterprise incurs a loss of more than 1 yuan. The profits created by the coal enterprises are transferred to the coal-consuming departments like the electric department. Actually, the enterprises (like the electric enterprise) whose products bring too high a price, own without compensation part of the profits created by those enterprises (like the coal enterprise) whose products bring too low a price. Under such circumstances, it will be very difficult to put into effect the principle of assuming sole responsibility for one's own profits or losses. For this reason, in making preparations for restructuring our system, we should investigate and study our prices very thoroughly and readjust them in a rational way.

Fourth, along with working out rational prices, it will also be necessary to solve the problem of differential income and to enable various enterprises to acquire roughly the same conditions and opportunity to operate and make a profit. This is also an indispensable condition for putting into effect the principle of assuming sole responsibility for one's own profits or losses. The reason is that differential income is attributable to natural conditions such as different qualities of land, abundance or scarcity of mineral deposits and good or bad geographical position, and not necessarily to good or bad enterprise operations. For example, the rate of sales profit is 69 percent per ton of crude oil in the case of Daqing oilfield and only 20 percent in the case of Yumen oil mine. The rate of sales profit is 32 percent for Anshan Steel Works but Jiuquan Steel Works incurs losses amounting to 79 percent. This state of affairs has more to do with their natural conditions like geology, geography and resources than with their operations. Differential income is a favor endowed by nature and is the wealth of society, and it is obviously not reasonable for enterprises to own and control it. For this reason, in

putting into effect the principle of assuming sole responsibility for one's own profits or losses, the state must take corresponding measures such as collecting differential resource tax or differential income tax to place this part of differential income wholly under social ownership.

IV. Problems That May Arise and Methods of Solving Them

Some comrades still feel misgivings and are worried about putting into effect the principle of assuming sole responsibility for one's own profits and losses among enterprises owned by the whole people. It is necessary to thrash out this subject.

To begin with, after putting into effect the principle of assuming sole responsibility for one's own profits or losses, the following situation will certainly arise. Certain enterprises are efficiently operated with their staff and workers working as one. The expenditure of individual labor is considerably lower than the expenditure of the socially necessary labor and more profits are made. Thus, the enterprises concerned retain more profits, increase their funds and keep developing their production while their workers have increased income. Conversely, some enterprises are not properly operated, the enthusiasm of their workers is dampened, the expenditure of individual labor is greater than the expenditure of socially average labor, and losses are incurred. These enterprises have no development fund and even incur debts and turn bankrupt. In our opinion, this is a normal phenomenon and there is no cause for alarm. Good enterprise operations, great contributions and more profits are advantageous to the state as well as to the enterprises and individuals. It is a very good thing. Our present wage level is very low, and it is not excessive to be paid several tens of yuan more a month. It is an income from labor, not from exploitation. To make these enterprises that are well operated and whose laborers are doing a good work develop and become well-to-do will give a strong impetus to the development of social production. The development of things is always uneven and we can only encourage the advanced to become more advanced and encourage the backward to catch up with the advanced instead of pulling the advanced down. It is bad for an enterprise to operate poorly, lose money and go bankrupt. But a bad thing can be turned into a good thing. It exposes problems and uncovers contradictions, making it possible for us to resolve them. In our society, when an enterprise goes bankrupt its workers will not be out of work and a minimum income will be insured for them. If the enterprise is essential, it may be reorganized and its leadership strengthened so that it can carry on its operations. If there is no need for this enterprise, perhaps it can be replaced by another enterprise. In this case, the state may take back its assets and turn them over to an enterprise that needs them and separate arrangements may be made by society for the enterprise workers. The tragic phenomenon of unemployment following the bankruptcy of enterprises in a capitalist society will not occur in our society. Therefore, to declare a money-losing enterprise bankrupt will not detract from the superiority of the socialist system. Conversely, if enterprises of this

type are allowed to continue, still greater losses will be caused to the national economy. That enterprise workers become well-to-do in different degrees is the result of operating and working in different ways and not the result of using different means of production. In such cases, it does not signify class polarization but a stage we must go through when advancing toward common prosperity. The ideological root of the fear that assuming sole responsibility for one's own profits or losses will bring about class polarization lies in the failure to distinguish between socialism and egalitarianism. It shows that petty-bourgeois socialist ideas still exert a great influence.

Second, if the principle of assuming sole responsibility for one's own profits or losses is put into effect, profits will become the main index for evaluating the results of an enterprise's operations and will occupy the central position in the system of business accounting indices. It conforms with the law. However, some comrades wonder if this will revive capitalism. These misgivings show that while we have criticized the "gang of four" for distorting and smearing socialist profits, we have not completely eliminated our contempt and fear of profit-making and money-making. The idea of making a profit according to the socialist principle and by every conceivable means has not taken root. Engels said that surplus products are "the basis for continuous social, political and intellectual development." (Engels: Selected Works of Marx and Engels, "Anti-Duhring," Vol 3, p 233) In socialist society, production and enlargement of reproduction are to be insured to a considerable extent by enterprise profits. If, having eliminated capitalist exploitation, the working people make money for themselves and create profits for their society, what is wrong with this? How can it be related to capitalism? Looking back on our economic work over the past 30 years, we find we suffered many losses. One reason for this is that we did not acquire the socialist ability to make money.

Third, in view of the fact that assuming sole responsibility for their own profits and losses, the enterprises concerned will own and control all their profits after paying tax and interest and their workers will get their income according to the amount of enterprise income, some comrades have asked: Will this not undermine the socialist ownership by the entire people and change ownership by the whole people into ownership by the collective or ownership by the individual? Our answer is no. All things must go through a development process from the lower to the higher level, from imperfection to perfection, and economy owned by the whole people is no exception. Currently, our system of ownership by the whole people is still an imperfect system of ownership by the whole people. Its means of production and products have not reached the stage of direct possession and direct control by the whole society. The direct integration of laborers with the means of production is realized through individual enterprises and the direct social character of labor is expressed through the collective labor of enterprises. Consequently, in certain respects our economy owned by the whole people bears certain characteristics of economy owned by the collective. Assuming sole responsibility for one's own profits or losses is

precisely aimed at suiting this state of economy owned by the whole people. Therefore, instead of undermining ownership by the whole people it serves as the means to promote the further development and perfection of ownership by the whole people. This is not all. From the Marxist point of view, ownership includes the total social relations of production and finds its concentrated expression in the possession and control of surplus products. In a socialist society, the crux of the matter is that profits are owned by the working people and serve the people. This point will not change because of the fact that enterprises own and control the profits created by them and their workers get their income according to the amount of enterprise income. On the contrary, it is a form in which the working people own and control the surplus products. The profits retained for regenerating and transforming enterprises and enlarging reproduction are still the property of the enterprises owned by the whole people, and the increased part acquired by the workers can only be the part acquired as a result of improving operations and management. Apart from this, the distribution of profits of enterprises owned by the whole people is different from the distribution of profits of enterprises owned by the collective. In the case of collective economy, profits are owned collectively by the laborers and controlled by the enterprises which have full authority to do so. In the case of enterprises owned by the whole people, however, the proportions of distribution are determined according to the relevant regulations of the state. It may be said therefore that the profits owned by enterprises and the increased income the workers get are the part the state distributes to them for their enjoyment according to the results of enterprise operation, and the state of their labor.

CSO: 4006

NATIONAL ECONOMIC POLICY

PRODUCTIVITY OF CONCRETE LABOR AND THAT OF LIVING LABOR

HK161039 Beijing JINGJI YANJIU in Chinese No8, 20 Aug 79 pp 76-80 HK

[Article by Wang Jiye [3769 4480 2814]]

[Text] Labor productivity is a comprehensive hallmark reflecting the development level of the national economy as well as an important index for examining the economic activities of socialist enterprises. In order to reflect labor productivity accurately, we must, first of all, get a clear understanding of the concept of labor productivity and its forms of expression. This seemingly simple question has long been understood in different ways in our economic theorist circles. Most of our comrades regard labor productivity as the quantity of product that can be produced by unit living labor, its material form being the quantity of product divided by the living labor actually expended in the production process. There are also comrades who regard labor productivity as quantity of product that can be produced with the expenditure of unit total labor (living labor and materialized labor), its material form being the quantity of product divided by the total of living labor and materialized labor expended in the production process. The common ground of these two views is that labor productivity is regarded as quantity of product that can be produced by the labor expended in the production process. Their divergent point lies in whether labor productivity is calculated according to living labor or according to total labor. But neither of these two views gives a clear answer to this question: Since labor productivity is the quantity of product that can be produced by labor, is productivity of labor productivity of concrete labor or productivity of abstract labor? Is living labor or materialized labor concrete labor or abstract labor? How should we understand the productivity of living labor and the productivity of total labor? These are the questions discussed in this article.

I

I think living labor is not concrete labor. It is in the category of abstract labor. In Marx's works, living labor is relative to materialized labor. Living labor is primarily used to illustrate that the source of surplus value is the unpaid part not of materialized labor but of living labor. So Marx often used living labor and the concepts "newly added

labor" and "present labor" alternately. Further, when analyzing cases of exchange of labor force and capital (materialized labor), he also used living labor to show that exchange of labor and capital is essentially an exchange at unequal values, disclosing from the reproduction process of capital that the capital used in exchange for labor force is nothing but the materialized labor of others expropriated by the capitalists. Finally, when analyzing the compositions of commodity value and compositions of capital, he also mentioned living labor and materialized labor and showed that the supremacy of materialized labor over living labor is a phenomenon peculiar to the capitalist mode of production. Marx said that the supremacy of capital "is nothing but supremacy of materialized labor over living labor." (Marx: Collected Works, "Theory of Surplus Value," Vol 26, p 419) Since living labor and materialized labor are abstract labor, and abstract labor creates no new value, it is inappropriate to represent labor productivity as quantity of product that can be produced by living labor or total labor.

The original meaning of labor productivity is that it is the efficacy of concrete labor in producing use-value. Marx said: "Productive power has reference, of course, only to labor of some useful concrete forms, the efficacy of any special productive activity during a given time being dependent on its productiveness." (Marx: DAS KAPITAL, Vol 1, p 59) Labor productivity is productivity of concrete labor and must be represented by use-value because "labor as special productive activity is realized in the unlimited diversification of the use-value of commodities." (Marx: Collected works, "Critique of Political Economy," Vol 13, p 24) The magnitude of use-value of products or commodities may generally be represented by the quantity of products. Hence the productivity of concrete labor may be understood as the quantity of products produced by concrete labor during a given time.

The productivity of concrete labor is the productive efficacy of labor of different qualities. For this reason, different branches of production cannot bear direct comparison in terms of labor productivity. Industrial labor is different from agricultural labor; labor in the machine-making industry is different from that in the textile industry. Their productivity cannot bear direct comparison. The labor productivity in producing different products cannot be directly represented by the quantity of products, nor can it be measured by the amount of labor expended in the products. We cannot say that, because the expenditure of labor for producing cotton is greater than the expenditure of labor for spinning yarn and weaving cloth, the labor productivity of cotton growers is higher than that of textile workers. This is also true when comparing the labor productivity levels of different countries. For instance, their labor productivity may be variously compared in terms of iron and steel output, grain output and machine tool output. At the same time, the development level of labor productivity of a certain country may be indirectly determined from the diversification of concrete labor. The greater the variety of concrete labor and the more elaborate the division of labor in social production, the higher the level of labor productivity.

The productivity of concrete labor has no direct bearing on abstract labor. Represented by use-value, its rise or fall is directly expressed as increase or decrease of product output during a given time. No matter how labor productivity changes, the total labor time expended in the production process is the same despite differences in the labor time expended in unit product. As Marx said, "Since productive power is an attribute of the concrete useful forms of labor, of course, it can no longer have any bearing on that labor, so soon as we make abstraction from those concrete useful forms." (Marx: DAS KAPITAL, Vol 1, p 59-60)

II

Since labor productivity is the productive efficacy of concrete labor, in what sense may we speak of the productive efficacy of living labor? In a society in which commodity production and exchange exist, living labor is abstract labor creating new value. The productivity of living labor is the efficacy of living labor to create new value during a given time. Its form of expression should be the net production value divided by the expenditure of living labor. To be sure, before calculating the labor productivity according to the net production value, a series of questions remain to be settled in our economic work. For instance, does the net production value represented by price accurately reflect the newly created value? How can we do away with the effect of price deviation from value on the net production value? But, theoretically speaking, it should be admitted that there is ground for taking living labor as the criterion for calculating the labor productivity according to the net production value. Speaking of compensation for constant capital, Marx said: "Any subsequent products are products of this past labor and present labor. Present labor can go on only by returning a certain part of the total product to production. It must compensate the constant capital in kind. If the productive power of labor becomes greater, then what it makes up is corresponding product, not value of product, because the value of product has thereby decreased. If the productive power of labor becomes smaller, then the price of the product will rise. In the former case, that corresponding part of the total product used to make up the past labor will decrease; in the latter case, this part will increase. In the former case, the productive power of living labor becomes greater; in the latter case, the productive power of living labor becomes smaller." (Marx: Collected Works, "Theory of Surplus Value," Vol 26, pp 220-221) From this exposition by Marx, it can readily be seen that the productivity of living labor has a direct connection with the change of the portion of materialized labor in product: If the portion of past labor decreases and the portion of newly added labor increases, the net production value represented by price will increase and the productivity of living labor will grow; if the portion of past labor increases and the portion of newly added labor decreases, the net production value will decrease and the productive power of living labor will become smaller. If we calculate the productivity of living labor according to the above theoretical requirement, we shall indeed encounter some difficulties in our practical work but, we cannot, because of this, deny the

necessity of calculating the productivity of living labor. Some have questioned this, saying that it is not only unnecessary but also meaningless to calculate the productivity of living labor according to the net production value because the expenditure of living labor and the net production value have the same numerical value. Of course, if the amount of labor is not expressed as the magnitude of value and the expenditure of individual labor is directly equal to the expenditure of social labor, the numerical values of the two will be the same. But the magnitude of value does not depend on the expenditure of individual labor but on the expenditure of the socially necessary labor. The net production value is the expenditure of living labor represented by price; even if price and value are identical, the expenditure of individual labor will be greater or smaller than the net production value according to social evaluation. Expenditure of living labor and net production value are not only different in concept but are also not equivalent in terms of numerical value. In the whole sphere of material production, the varying productivity of concrete labor cannot be directly contrasted with each other but the productivity of living labor calculated according to the net production value can be used to compare the production efficiency of various branches of production and to calculate the economic effects of newly added labor. How can it be described as meaningless? The argument against calculating the productivity of living labor according to the net production value boils down to this: All kinds of labor, effective or ineffective, and whether more or less is expended in the production process, create equal new value. Theoretically, this argument is not plausible. It is also unfavorable to our job of improving planning and statistical work.

The productivity of living labor calculated according to the new production value is different from the productivity of concrete labor represented by use-value. It directly explains how many material products are turned out during a given time but how much new value is created. As to why the newly created value should be expressed by a given quantity of products, it is merely because use-value is the material vehicle of value. Therefore, the starting point of calculating the productivity of living labor according to the net production value is not use-value but value. Value is a reflection of people's social relations of production and the concept of labor productivity represented by value varies with different social systems. In a capitalist society, only the labor that creates surplus value is productive labor, thus labor productivity should be represented not only by the new production value created by living labor but also by the surplus value created by surplus labor. It is thus clear that even under the capitalist system, there is the question of calculating the productivity of living labor, that is, the question of calculating the absolute labor productivity and the relative labor productivity. New value or net production value may be understood from two angles. In the broad sense, compared with the expenditure of materialized labor, living labor can create new value. This new value may be divided into two parts: Value making up labor force, and surplus value. Compared with the value making up labor force, surplus value is new value in the narrow sense and its magnitude can really explain the

essence and level of capitalist labor productivity. Is it necessary to calculate the relative labor productivity under the socialist system? Marx said: "Assume that no capital exists and the worker himself owns his surplus labor, that is, the remainder after deducting the value he expended from the value he created. Only in such cases can it be said that the labor of this type of workers is really productive, that is to say, it creates new value." (Marx: Collected Works, "Theory of Surplus Value," Vol 26, p 143) Under the socialist system, it is of momentous significance to calculate the relative labor productivity. The relative labor productivity of agriculture is the base of existence and development of other branches of the national economy. The relative labor productivity of industry is the prerequisite for industrial aid to agriculture and other branches of the national economy. Without the relative labor productivity, people's livelihood cannot be gradually improved. We often say that the growth of labor productivity must be faster than the increase of wages. This mainly refers to the raising of labor productivity. We often say that the raising of labor productivity is the main way of realizing socialist expanded reproduction and achieving high-speed development of the national economy. This, too, should refer to the relative productivity. Only by raising the relative labor productivity can more funds be accumulated for socialist expanded reproduction. At the same time, the results of economic activities of enterprises can be more accurately examined on the basis of relative labor productivity, the raising of labor productivity and the increase of profits can be unified, and the contradictory phenomenon of enterprises losing money or making little profits despite the raising of labor productivity (concrete labor productivity) can be done away with.

III

How should we view the labor productivity calculated according to the total labor (living labor and materialized labor)? As mentioned above, both living labor and materialized labor are abstract labor. It is not appropriate to explain labor productivity by contrasting them with use-value (output). It is theoretically groundless to use them to explain the labor productivity represented by value. This is because materialized labor does not create new value and in the production process it merely changes its form of existence through the variation of labor, for example, transformation of the form of means of production into the form of product. Decrease of expenditure of total labor (living labor and materialized labor) in unit production reflects the effect of raising concrete labor productivity on the expenditure of labor in product, explaining the internal connection between productivity of labor and economy of labor. As Marx pointed out, "The raising of labor productivity consists precisely in reducing the portion of living labor, increasing the portion of past labor but reducing the total amount of labor expressed in commodities. Consequently, the living labor reduced must be greater than the past labor increased." (Marx: Capital, Vol 3, p 290) From this exposition by Marx, it cannot be inferred that the change of the amount of labor in unit product is the

change of labor productivity itself, nor can a concept and formula for calculating labor productivity be deduced by using the total labor (living labor and materialized labor) to divide the output of product. To calculate the expenditure of total labor in unit product and its change by way of mainly explaining the relationship between the raising of labor productivity and the economy of labor is of momentous significance in studying the calculation of the magnitude of value and the formation of product prices under the socialist system.

Some comrades call the labor productivity (calculated according to the expenditure of the total living labor and materialized labor in all branches of material production) social labor productivity, as distinct from individual labor productivity and enterprise labor productivity. In my opinion, this is not appropriate. As an economic concept, social labor productivity does not refer only to the productivity of all branches of material production. This is true of all cases, whether labor productivity is calculated according to expenditure of living labor or according to the total expenditure of living labor and materialized labor. Social labor productivity and the labor productivity of all branches of material production are two concepts with different meanings. Social labor productivity is relative to individual labor productivity and is present in enterprises and all branches of material production. The labor productivity of an enterprise is social labor productivity too, because the labor in enterprises has become social labor. Marx said: "As a result of cooperation, division of labor and integration of labor with natural science, labor itself is organized in social labor." (Marx: DAS KAPITAL, Vol 3, p 296) The conditions mentioned by Marx for changing labor into social labor are all present in our enterprises. Personally, I think we should use such concepts as individual labor productivity, enterprise labor productivity, department labor productivity and labor productivity of the material production sphere. What indices should be used to reflect them? As mentioned above, in the case of individual labor productivity, we might calculate the concrete labor productivity according to the output of product and calculate its living labor productivity according to the net production value. We might also calculate the living labor productivity of enterprises, departments and the material production sphere according to the net production value. However, as the products produced by various production units are different in variety, it is not possible to calculate their concrete labor productivity according to use-value. The labor productivity calculated with living labor as the criterion and according to the total output value is neither the productivity of living labor (because the total output value includes transfer value in addition to newly created value), nor the productivity of concrete labor (because the total output value is the index of value, not the index of use-value). Theoretically, it is not a scientific concept. This is also true of the labor productivity calculated with the total labor expenditure as the criterion and according to the total output value. Materialized labor creates no new value, consequently, it is out of the question to talk about its productivity.

The form of expression for labor productivity must conform to the meaning of labor productivity. The form of expression for concrete labor productivity may be written as: Quantity of product/expenditure of concrete labor. (Expenditure of concrete labor is represented by labor time and its amount is equal to the expenditure of living labor. But it should be clearly understood that the amount of labor here is the expenditure of concrete labor, not living labor.) Output of product divided by expenditure of concrete labor is generally called direct index of labor productivity. The inverse index of labor productivity is: "Expenditure of concrete labor/ quantity of product. The direct index and inverse index of labor productivity are the reciprocal of each other, and their product is 1. In economic writings, this is often taken as the basis for asserting that the two forms of expression and methods of calculation for labor productivity are the same, both indicating the proportionate relationship between a given amount of labor and the quantity of product. As a matter of fact, their meanings are not entirely the same. The direct index of labor productivity can exactly reflect the productive power of concrete labor and explain how much use-value concrete labor has created. The inverse index of labor productivity explaining how much labor is expended in a given quantity of product is, in a certain sense, the result of labor productivity. If we examine the development of labor productivity we shall find that the direct and inverse indices will show quantitative difference. For instance, the expenditure of labor is 8 hours and 16 products are produced in the base period; the expenditure of labor is also 8 hours and 24 products are produced in the report period or the comparison period. If labor productivity is calculated according to the direct index, the index number of labor productivity is 150 percent ($24/8:16/8$), or labor productivity is raised by 50 percent. If it is calculated according to the inverse index, the index number of labor productivity is 66.7 percent ($8/24:8/16$), or the expenditure of labor in unit product is down by 33.3 percent. If we want to evaluate the change of labor productivity, we should say that with labor productivity raised by 50 percent, the expenditure of labor in unit product is down by 33.3 percent. From this we may also see the dependence of the inverse index of labor productivity on the direct index. Isolated calculation according to the inverse index cannot exactly reflect the change of labor productivity.

The productivity of concrete labor may also be expressed in relative form or indirect form. For instance, the labor productivity levels of different production units are reflected by the degree of the laborers' means of production and equipment. Marx said: "The special development of the productive power of social labor varies with each special branch of production in degree. It is higher in one case and lower in the other. It is directly proportional to the quantity of means of production set in motion by a given amount of labor, or directly proportional to the quantity of means of production set in motion by a given number of workers in workdays already fixed. In other words, it is inversely proportional to the amount of labor

necessary for setting a given quantity of the means of production in motion." (Marx: DAS KAPITAL, Vol 3, p 183) Indicated by formula it is: Labor productivity = quantity of the means of production/amount of labor. The relative expression and the direct expression of labor productivity have the following connection: Labor productivity = quantity of product/amount of labor = quantity of the means of production/amount of labor X quantity of product/quantity of the means of production. This shows that the direct expression of labor productivity is equal to the relative expression of labor productivity multiplied by the reciprocal of the expenditure of the means of production in unit product. By the same token, we may, through the degree of fixed assets and equipment of laborers, indirectly and relatively reflect the level of labor productivity. The relative form of expression for labor productivity may be used to compare the labor productivity levels of different production units.

The form of expression for living labor productivity and relative labor productivity are not complicated, and there is no need to deal with them further. The question to be settled is how to make the net production value exactly reflect the newly created value in economic work. At the moment, we have knowledge of only three numerical values: Wages, profits, and the amount of tax. The key to determining to what degree they reflect new values lies in knowing the range of price deviation from value. New values can be calculated on the basis of the range of price deviation from value. In one article, I put forward three methods of calculating new values. (See my "Some Questions of Methodology Concerning the Calculation of Labor Productivity," JINGJI YANJIU No 1, 1962) To put it briefly, the first method is to take as the base the value already realized by various branches of the national economy, adjust it with the range of price deviation from value, and work out the next production value identical with the magnitude of value. But pending settlement of the question of how to calculate the magnitude of commodity value, it is difficult to use this method. The second method is to take wages as the base and utilize the proportions of M and V to calculate the newly created value. The prerequisite for applying this method is to have a good grasp of the quantitative performance of M:V in various branches of the national economy. This proportion may be basically the same for different branches of the national economy. According to the socialist principle of distribution, those who do more work get more pay. On the one hand, laborers get more; on the other, society gets more. The wages of laborers are in direct ratio to the surplus labor they provide for society. The third method is to distribute the national income according to the proportion of the total wages of the branches of the national economy to the total wages of the material production sphere, and calculate the value created by various departments. In principle the above methodology is also applicable to calculation of the relative labor productivity. What is different is that the base of calculation is not the total wages but the total amount of profits and taxes.

NATIONAL ECONOMIC POLICY

BRIEFS

NATIONAL TRADEMARK CONFERENCE--Hangzhou, 14 Oct--The National Industrial and Commercial Administrative Bureau recently called a national working conference on trademarks in Hangzhou, Zhejiang, to decide on plans to improve work and strengthen management of trademarks. The conference pointed out that once a trademark is properly registered, the enterprise concerned will have the exclusive right to use it and the trademark will be protected by law as prescribed by Article 127 of the Criminal Law of the PRC. The conference also discussed the revision of the PRC law governing trademarks. [Beijing XINHUA Domestic Service in Chinese 0108 GMT 14 Oct 79 OW]

CSO: 4006

ECONOMIC PLANNING

'SICHUAN RIBAO' CALLS FOR COMMODITY PRICE CONTROL

HK251431 Chengdu Sichuan Provincial Service in Mandarin 2310 GMT
24 Oct 79 HK

[SICHUAN RIBAO 25 October editorial: "Strictly Implement the State Policy on Commodity Prices and Maintain the Basic Stability of Market Prices"]

[Excerpts] The Sichuan Provincial Revolutionary Committee has issued a notice on strengthening commodity price control and strictly prohibiting arbitrary and disguised price rises. This is an effective measure for stabilizing commodity prices and shows the concern of the party and the government for the masses' livelihood.

The editorial points out that in the past some units and departments violated the policy and discipline on commodity prices, raised prices arbitrarily and in a disguised form and indiscriminately levied charges on people. This caused some commodity price fluctuations. The masses were very dissatisfied with this situation. We must immediately check this evil wind of arbitrary price rises. The provincial revolutionary committee has now issued a notice. All places and units must resolutely act in accordance with this notice.

In commodity price control, we must strengthen our concept of the legal system and resolutely oppose anarchism. When commodity prices are stable, the people will be calm. This is an important condition for stability and unity in politics. Leadership at all levels must clearly understand this.

In view of this, the provincial revolutionary committee has issued a notice and has taken effective measures to maintain the stability of market commodity prices. This is a major event in the political and economic life of our province. Party committees and governments at all levels must attach great importance to this, immediately go into action and strengthen leadership over commodity price control. Apart from publicizing the policy on commodity prices to the masses, they must further and penetratingly conduct large-scale inspections of commodity prices, strengthen control over commodity prices, strictly observe the discipline on commodity prices and guarantee the basic stability of market commodity prices.

ECONOMIC PLANNING

'SICHUAN RIBAO' STRESSES FULFILLING FISCAL TASKS

HK280808 Chengdu Sichuan Provincial Service in Mandarin 2310 GMT
27 Oct 79 HK

[Report on SICHUAN RIBAO 28 October commentator's article: "Seriously Increase Production and Practice Economy and Strive To Fulfill and Overfulfill This Year's Fiscal Tasks"]

[Excerpts] The article first points out: The fourth quarter has always been the busy period for fiscal and tax revenue work. This year is the first year of the shift of focus of the work of the whole party and state, and it is particularly important to vigorously increase production and practice economy during the fourth quarter, strive to increase revenue and economize expenditure, and insure the fulfillment and overfulfillment of this year's fiscal and tax revenue tasks. This is important for implementing the principle of readjustment, restructuring, rectification and improvement and for promoting the four modernizations.

The article says: At present certain comrades, including some leading comrades, reckon that next year the province will restructure the fiscal system with regard to the prefectures and counties and are not willing to collect any revenue in excess of the stipulated base figure. Unless this problem of ideological understanding is solved it is bound to adversely affect the fulfillment of this year's fiscal tasks and the arrangements for next year's financial expenditure. We must realize that reforming the fiscal system involves many aspects, and the current conditions are not ripe for it. The provincial authorities can only make a few small adjustments for the various localities on the basis of the methods in current use. In addition, the aim of reforming the fiscal system is to mobilize people's activism for speeding up the development of production and construction and better fulfilling the state revenue plans. We must bear the overall situation in mind.

The article stresses: Doing everything possible to promote production, and especially vigorously grasping work to increase output of light and textile industry products, and insuring increased income through increased production constitute the key to fulfilling and overfulfilling

this year's fiscal and tax revenue plans. The current period is the favorable time for greatly boosting output of light and textile industry products which use agricultural products as raw material. We must insure priority for the light and textile industries in the supply of coal, power, and natural gas.

Practicing economy is a fundamental principle of socialist economy. To fulfill and overfulfill this year's fiscal plans, we must grasp both increasing production and practicing economy. All fiscal expenditure must be controlled and must not be spent in an indiscriminate way, otherwise the limited fiscal and material strength will be wasted. We must carry forward the fine tradition of struggling hard amid difficulties, advocate the spirit of saving every cent, and save every copper for the four modernizations.

The article says: Strengthening fiscal supervision and strictly observing fiscal and economic discipline are not only beneficial for fulfilling and overfulfilling this year's fiscal tasks, but are also essential for strengthening the socialist legal system. During the fourth quarter we must seriously check on the implementation of fiscal and economic discipline. It is necessary to collect all profit and taxes which should be handed over to the state in accordance with policy regulations. Under no pretext may such profits and taxes be withheld or misappropriated. The work of turning losses to profits must be further strengthened. The fiscal and tax departments must carry out their duties, persist in principles and strengthen supervision. They must struggle against all violations of fiscal and economic discipline.

CSO: 4006

ECONOMIC PLANNING

BRIEFS

INDUSTRIAL ADMINISTRATORS' TRAINING--Beijing, 20 Oct (XINHUA)--The State Economic Commission plans to offer training courses of two to three months in 1980 and 1981 to industrial administrators throughout China. This was announced at a national meeting being held here on enterprise leader education. The administrative leaders will come from provinces, municipalities, autonomous regions, some industrial cities, and industrial and communications ministries under the State Council. Directors and deputy directors of major enterprises will also be invited. The State Economic Commission has run three similar courses this year. The subjects cover socialist economic theory, and domestic and foreign enterprise administration. [Text] [OW200420 Beijing XINHUA in English 0246 GMT 20 Oct 79 OW]

CSO: 4020

GENERAL ECONOMIC INFORMATION

'GONGREN RIBAO' COMMENTARY PRAISES YOUNG WORKER'S ACTION

CW231948 Beijing XINHUA in English 1507 GMT 23 Oct 79 OW

[Text] Beijing, 23 Oct (XINHUA)--A young worker, who volunteered to manage a chaotic workshop and succeeded in straightening it out and boosting production considerably, is commended in an article and a commentary in the WORKER'S DAILY today.

Sun Yan, a 25-year-old lathe turner at the Yunnan Motorcycle Plant, decided to run for directorship of the foundry shop in December last year when election of grassroots cadres was first introduced in the factory. He won against heavy odds and has proved his worth since his election in January this year.

The WORKER'S DAILY comments that China needs millions of men of action like Sun who are determined to make changes.

"He might make mistakes and might come down in the next election, but it is his spirit of not giving empty talks but of action that we support," the paper says.

There are difficulties in China's construction. The country needs all those who care about the nation's destiny to come forward and take action, the paper says.

Sun Yan entered the factory in 1970 at the age of 17 and found his work dirty, tiring and boring. His attempts to make innovations to lighten the heavy manual labour were brushed aside as one political movement followed another. He started to drink to blot out his sense of unfulfillment.

One day he wandered into the provincial library where he read about the advanced technology of other parts of the world and decided that "one should try to change the environment when one is dissatisfied with it and not bypass it."

He threw himself into the study of mathematics, physics, drafting and political science and concluded that "people are not satisfied with a country free from capitalist evils but developing at a slow pace."

Last December, when the factory announced an election for workshop directors, he decided to run.

Sun Yan won--despite the fact that he is not a member of the Communist Party--and a 24-year-old worker, Yang Xiaohui, was elected deputy.

The pair worked night and day and drew up a plan for restructuring the shop, work regulations, division of labour and standards of efficiency and quality.

In two months, production soared and 95.3 per cent of the factory's six-month quota was completed. The annual quota was completed four months ahead of time.

The current issue of the popular youth journal CHINA YOUTH also carries the story of Sun Yan. It says that in him one can see the future of the country. He represents the historical trend which nothing can prevent, it says.

CSO: 4020

GENERAL ECONOMIC INFORMATION

'XINHUA' HIGHLIGHTS FORMER INDUSTRIALISTS, BUSINESSMEN

OW211046 Beijing XINHUA in English 1025 GMT 21 Oct 79 OW

[Text] Beijing, 21 Oct (XINHUA)--China's former industrialists and businessmen are now contributing to the country's modernization programme by way of investment, passing on their skills and managerial experience or by engaging in scientific research.

This picture emerged from discussions among delegates here for the congresses of the China Democratic National Construction Association, one of the democratic parties in the country, and the All-China Federation of Industrialists and Businessmen.

The two organizations are mainly made up of former members of the national bourgeoisie as well as intellectuals.

Almost one-third of the 760 delegates are engineering and technical personnel, managers, or academics.

Due to the buying out policy applied by the Chinese Communist Party to the national bourgeoisie, its members gave up exploitation in the 60's and since then have been gradually transformed into workers who support socialism and earn their own living.

China's best-known former industrialist Rong Yiren is now vice-chairman of the Chinese People's Political Consultative Conference (C.P.P.C.C.) and chairman of the board of directors of the China International Trust and Investment Corporation. Hu Juewen, a former Shanghai industrialist, is now vice-chairman of the standing committee of the National People's Congress and Hu Zi'ang, a leading capitalist in southwest China before liberation, is now vice-chairman of the C.P.P.C.C. National Committee.

More than 10,000 former capitalists are now working in Shanghai, the biggest single centre of private capital in pre-liberation China.

Liu Jingji, chairman of the Shanghai Federation of Industrialists and Businessmen and former general manager of the Shanghai Anda Textile Mill,

told XINHUA that in order to support socialist construction, the city's industrialists and businessmen had set up a "Shanghai Patriotic Construction Company" which was financed from their own funds. Liu is chairman of the board. Their accumulated funds are now over 50 million yuan (roughly 30 million U.S. dollars). The company is to build new houses to sell to buyers from Hong Kong and Shanghai for compatriots from Hong Kong and Macao, relatives of Overseas Chinese and some local industrialists and businessmen. The profits, after taxes, are all to be reinvested. The investors receive only the regular bank rates of interest for fixed deposits. Other industrialists and businessmen plan to invest in compensation trade and run catering services.

Liu Jinji has recently been appointed member of the board of the China International Trust and Investment Corporation by the State Council.

Zheng Fuyuan, an engineer at the Tianjin Synthetic Detergent Plant, is a former capitalist. Since 1974, he has developed a non-toxic sand for aluminium magnesium alloys, liquid detergents for removing radioactive elements and detergent powders containing enzymes, one of which is effective in removing blood, juice and milk stains.

Industrialists and businessmen in Guangzhou have played an active role in developing foreign trade assembly services and compensatory trade through their contacts or social connections in Hong Kong and Macao. Income from compensatory trade has reached 15 million Hong Kong dollars and big projects in joint ventures are now under discussion.

CSO: 4020

GENERAL ECONOMIC INFORMATION

BRIEFS

ANHUI INDUSTRIAL MODELS--On 29 September, 120 representatives of Daqing-type enterprises and labor models held a forum at the Workers' Cultural Palace in Hefei Municipality to celebrate the 30th anniversary of the founding of the PRC. (Zuo Zheng), vice chairman of the Anhui Federation of Trade Unions, read the communique of the fourth plenum of the party Central Committee. Also participating were Zhao Shouyi, secretary of the Anhui Provincial CCP Committee; (Wei Anming) and (Zhao Ping), deputy secretaries of the Hefei Municipal CCP Committee; and responsible comrades of the provincial and municipal federations of trade unions. Zhao Shouyi spoke urging the participants to give still better play to their leading and backbone roles to promote the national economy and speed up the four modernizations. [HK160042 Hefei Anhui Provincial Service in Mandarin 1100 GMT 1 Oct 79 HK]

YUNNAN LABOR MODELS--The political department of industrial and communications front of the Yunnan Provincial CCP Committee, the Yunnan Federation of Trade Unions, the political department of industry and communications front of the Kunming Municipal CCP Committee and the Kunming Federation of Trade Unions recently held a forum of labor models, advanced producers and advanced workers to seriously study the communique of the fourth plenum of the 11th CCP Central Committee and the important speech of Vice Chairman Ye at the National Day celebration. The participants held that the important speech has scientifically summed up the great achievement and precious experiences in the 30 years since the founding of the country, expressed the desire of the people and the working class throughout the country, pointed out the magnificent orientation for advancing toward the four modernizations and has long-term guiding significance for the work of the people throughout the country. They pointed out that in the past 30 years, the total value of industrial and agricultural production has increased by 6.4 times, while the total value of light and textile industrial output increased by 20 times. [HK200156 Kunming Yunnan Provincial Service in Mandarin 1330 GMT 11 Oct 79 HK]

SAFETY INVESTIGATIVE GROUP--The national colliery safety investigative group, organized jointly by the State Labor Bureau, the All-China Federation of Trade Unions, and the Ministry of Coal Industry conducted investigations from 8 September to 11 October in the Pushun, Fuxin and Benxi mining administrative bureaus. Tan Liren, vice chairman of the Liaoning Provincial Revolutionary Committee, met with the group and listened to its report. [Shenyang Liaoning Provincial Service in Mandarin 1100 GMT 18 Oct 79 SK]

NEW ECONOMICS JOURNAL--Beijing, 30 Sep--The initial issue of MARKET, the first journal of its kind to be published in new China, is on sale here today. The 16-page semi-monthly journal will specialize in economic news and advertisements of interest to consumers. The first issue includes news of the fluctuation in the price of vegetables and of manufactured goods, and an article giving advice on how to wash polyester and silk materials. There are also many advertisements in colour. A front-page story deals with new light prefabricated structures. The cost for building such houses will be 130 yuan per square metre, and will be reduced when mass production of the structures begins. By then, there will be a possibility of selling them to individuals. The journal publishes current rates of exchange between the Chinese renminbi (people's currency) and foreign currencies, including the American dollar, the British pound, and the West German mark. There are also reports on how Chinese goods are sold abroad. [Text] [OW011022 Beijing XINHUA in English 0205 GMT 30 Sep 79 OW]

INDUSTRIAL DELEGATION RETURNS--Madrid, 18 Oct (XINHUA)--The Chinese delegation led by Xi Shaogao, deputy secretary of the Chinese Society of Mechanical Engineers, left here for home today after attending the 46th International Foundry Conference. This was the first time that China has been represented at the conference as a member of the International Foundry Institute. As a token of welcome to the newcomer, the secretariat of the conference arranged that the Chinese delegation was the first one to deliver academic reports. The Chinese reports were highly appreciated by the other conferees. More than 600 delegates from 37 countries attended the five-day session which closed on October 4. A total of 41 academic papers were presented. During its stay here, the Chinese delegation made contacts with many other scientists and visited other parts of Spain. [Text] [OW191433 Beijing XINHUA in English 1203 GMT 19 Oct 79 OW]

UNEMPLOYED REACH 10 MILLION--Peking Oct 11 KYODO--China's jobless men now amount to 10 million, Gu Ming, vice minister of the Chinese State Planning Commission, disclosed Thursday. Up to now, China's unemployment was generally estimated at about 7 million. He made the disclosure when he met a delegation of the Japan-China Association on Economy and Trade, led by its president Yoshihiro Inayama. The unemployment has been reportedly one of the serious problems for the Chinese leadership which may develop into incidents of social unrest. [Text] [Beijing KYODO in English no time given 11 Oct 79]

FINANCE AND BANKING

BRIEFS

SICHUAN BANKING--The banking departments in Sichuan have provided short-term foreign exchange loans to enterprises for importing advanced technology and equipment from abroad. This will help transform old enterprises and increase export of commodities to increase income from foreign exchange. In the past few years, in coordination with the foreign trade departments, the banks in the province have earned 44 million yuan for the state from export commodities. To further do a good job in providing foreign exchange loans for the province, the departments concerned recently held a meeting to study the documents of the State Council, sum up and exchange experiences in foreign exchange loans and plan future tasks. [HK170224 Chengdu Sichuan Provincial Service in Mandarin 2310 GMT 3 Oct 79 HK]

CSO: 4006

FUELS AND POWER

EAST CHINA POWER GRID SUPPLIES RECORD AMOUNT OF ELECTRICITY

Shanghai WEN HUI BAO in Chinese 9 Oct 79 p 1

[Article: "As of September of This Year, 7.2 Percent More Power Produced Than in Corresponding Period of 1978; Power Assured for Industrial Expansion, Agricultural Needs"]

[Excerpt] As of September of this year, the East China Power grid had provided 30.9 billion K/hrs of electricity, the greatest amount in history. This is 7.2 percent more power than was supplied in the corresponding period of 1978 and basically assured sufficient electricity to meet the demands of industrial expansion and agricultural needs.

In the past, the East China power grid was chronically short of electricity. In order to maintain the grid's transmission safety, the allocation departments would customarily draw off power, which disrupted normal production, created unfavorable political conditions and caused economic losses. Since the beginning of the year, the East China Power Administrative Bureau has strictly implemented the people's economic revised plan, maintained a safe power supply and, since April, no snags or changes in the power plan have surfaced in the East China power grid. The management organs have carried out the plan well and since mid-September the allocation stations have not drawn off any power at all. In the last 6 months, the power cycle in the East China grid has been stable and regular, 99.8 percent of the standard. Thus the "backsliding cap" of the past has been discarded and the voltage has been steadily increased.

The masses of employees working for the units subordinate to the East China power authority have gone all out to implement technical innovations and to promote the economy drive. As of September, thermal power production amounted to 13 billion K/hrs and 390,000 tons of oil had been saved. By saving coal and economizing on electricity, reducing losses from power lines, and substituting coal for oil, a savings of more than 23,300,000 yuan was realized. During the National Day celebrations, more than 17,000 employees of the units subordinate to the Authority gave up their leave and insisted on working; they repaired seven high voltage lines and some 68 major pieces of power equipment thus assuring a safe, economical power supply all year 'round.

In order to commend progress and promote the economization drive, the East China power authorities yesterday morning called a meeting for the heads of subordinate units as well as more than 3000 advanced producers and representatives of advanced collectives. The meeting concentrated on promoting the economization drive, the heart of which is safety, economy, quality, speed, and greater output and supply, to assure not only the completion of the yearly power production state plan but the surpassing of same and to guarantee the needs of the industries in the power grid to use 8 percent more electricity.

Both the secretary of the Municipal Party Committee and the deputy head of the Municipal Revolutionary Party Committee spoke at the meeting.

CS0: 4006

FUELS AND POWER

BRIEFS

HEILONGJIANG SAVES GASOLINE--Industrial and communications departments in Heilongjiang are popularizing the use of a gas-saving device with good results, according to a report in HEILONGJIANG RIBAO. By installing the device in a motor vehicle 10-30 percent of the gas can be saved, according to the paper. So far over 12,500 motor vehicles, or 30 percent of the province's total motor vehicle fleet, have received the device, thus saving about 212,300 dun of gas a year. [Harbin Heilongjiang Provincial Service in Mandarin 2200 GMT 16 Oct 79 OW]

HENAN MINING BUREAU COAL--In the first 6 months of this year, the HeBi Mining Bureau had succeeded in fulfilling over 50 percent of the annual production tasks. In July and August, however, the production situation had deteriorated and there were some 50,000 tons of shortfall in output. The major reason was that there was an imbalance in the development of production. The production situation has been improved through the remedial efforts of the party committee of the mining bureau. Last September, the bureau produced 466,805 tons of coal, overfulfilling the monthly plan by 12.7 percent and hence making up for the shortfall in output in July and August. The output also surpassed the highest level in the same period in the past. The progress of tunneling reached 1,339 meters, overfulfilling the monthly plan by 24.65 percent. [Zhengzhou Henan Provincial Service in Mandarin 1100 GMT 13 Oct 79 HK]

HUNAN HYDROELECTRIC STATION--Construction of the largest hydroelectric power station in west Hunan Tu-jia-miao Autonomous Prefecture, the (Pali) electricity station, has been completed and put into operation on National Day. The newly completed station consists of four generators with an installed capacity of 13,860 kilowatts. The yearly output of electricity is 110 million kilowatt-hours. Construction of the station began in March 1976. [Changsha Hunan Provincial Service in Mandarin 2315 GMT 6 Oct 79 HK]

NORTHEAST POWER GRID--Shenyang, 5 Sep--By 31 August the northeast power grid, one of China's 12 major power grids, had generated 3,100 million kilowatt hours of electricity which doubled its output in the same period last year. Its power output in the 8-month period has exceeded the

annual plan by 13 percent. The increased power supply had a considerable effect on reducing power shortages in northeast China. The northeast had adequate rainfall this year providing good conditions for hydroelectric power generation. The northeast power grid is mainly supplied by thermal power stations in Heilongjiang, Jilin and Liaoning provinces and is linked with hydroelectric power stations there. [Text] [Beijing XINHUA in English 0845 GMT 5 Sep 79 OW]

SOLAR ENERGY--Since the smashing of the "gang of four," the development of solar energy in China has progressed rather quickly. Already, some 70,000 square meters of solar hot water devices and collectors and more than 2,000 solar cookers have been built in China. Research and experimental work on the basic principles of solar energy use, materials, photovoltaics, etc., have already met with some success. Recently, the State Science Commission [held?] the second all-China conference to exchange experiences on the economics of solar energy in Sian. Future solar energy development plans in China were discussed and major attention was devoted to determining and resolving rural energy resources and the betterment of urban life. [Tianjin TIANJIN RIBAO in Chinese 18 Sep 79 p 4]

NEW TANKER--China's first domestically produced 50,000-ton tanker, the Daqing 254, went into operation in January 1979 and by mid-August had already made seven trips, covering 2.76 million nautical miles and transporting 317,000 tons of crude oil to oil refineries in southern China. [Hong Kong TA KUNG PAO in Chinese 31 Aug 79 p 3]

CSO: 4006

MINERAL RESOURCES

BRIEFS

MINERAL RESERVES--Beijing, 25 Sep--China has discovered more than 140 mineral resources, the reserves of 132 of which have been confirmed. The reserves of tungsten, tin, molybdenum, antimony, mercury, lead, iron, coal, sulfur, phosphorus, asbestos, graphite, fluorite and magnesite rank first in the world. More than 1,000 oil-bearing structures have been found on more than 1 million square kilometers of sedimentary basins in Qaidam, Songliao, Huanghua, Jiyang, Jiangnan, Sichuan, Shangannan and Jizhong. Confirmed coal reserves exceed 600 billion dun. Large and extra-large iron deposits with total confirmed reserves of 42 billion dun have been found in 18 provinces, municipalities and autonomous regions. The reserves of associated metals in the extra-large vanadium-titanium magnetite in Panzhihua, Sichuan, are 420 million dun. The reserves of associated rare-earth in Bayan Obo, Nei Monggol, reach 80 million dun. [Beijing XINHUA Domestic Service in Chinese 1309 GMT 25 Sep 79 OW]

RARE EARTH CORPORATION--Huhehot, 3 Oct--A specialised corporation for the sale and production of rare earths has been set up at Baotou, China's rising steel centre in Inner Mongolia. It is now known that China has abundant deposits found of rare earths and the new corporation is expected to play an important part in accelerating development of the rare earth industry and meeting the domestic and international demands for rare earth products. "Standards for Niobium Products" is now off the press as a guide for rare earth production as well as for selection of rare earth products by consumers. China's rare earth industry started in the late fifties and now provides a range of about 200 products, covering all those available in other countries. Rare earths are now widely used in China's metallurgical, machine-building, petro-chemical, glass-making, ceramics, electronics, medical, building materials, military and light industries as well as in agriculture. About 1,000 machine-building plants have reported successes in producing nodular cast iron, and wear-resistant, acid-resistant and heat-resistant cast iron using rare earths. [Text] [Beijing XINHUA in English 0253 GMT 3 Oct 79 OW]

GUANGXI GEOLOGY--From January to September 1979, the geology departments in Guangxi have discovered a number of mining bases of industrial value. They have fulfilled 86.3 to 108 percent of the state's plans and completing surveys of deposits for seven minerals including iron and coal. In the first half of 1979, these departments saved 300,000 yuan and increased the income of geology surveys by 250,000 yuan. [Nanning Guangxi Regional Service in Mandarin 1130 GMT 16 Oct 79 HK]

CSO: 4006

HEAVY INDUSTRY

BRIEFS

YUNNAN INDUSTRIAL PRODUCTION CONFERENCE--The Yunnan Provincial Revolutionary Committee held a 26 September telephone conference to convey the State Economic Commission's circular on successfully grasping production on the industry and communications front and to make arrangements for this province's industrial and communications production in the fourth quarter. The conference called on the masses of cadres, staff and workers on the provincial industry and communications front to seek truth from facts and try in every possible way to fulfill the 1979 plan for increasing production and practicing economy. The conference noted: It is estimated that by the end of this September, the province's total value of industrial output will increase by 6.26 percent as compared with last year's same period. The provincial industry and communications front has overfulfilled its 1979 profit plan 4 months ahead of schedule. However, to fulfill the 1979 plan for increasing industrial production by 8 percent as compared with last year, we still have to work very hard in the fourth quarter. The average monthly output in the fourth quarter must be increased by 9.25 percent as compared with the average monthly output in the first three quarters of this year. We must continue to put first place to improving product quality and increasing the variety of designs. [Kunming Yunnan Provincial Service in Mandarin 1330 GMT 27 Sep 79 HK]

GUANGZHOU INDUSTRIAL PRODUCTION--The total value of industrial output in Guangzhou Municipality in September was 7 percent greater than in August. The total value of the municipality's industrial output in the third quarter of this year was 5.21 percent more than in the second quarter. By the end of September, the municipality had fulfilled 74.83 percent of its quota for the total value of industrial output for 1979. [Guangzhou Guangdong Provincial Service in Mandarin 1130 GMT 13 Oct 79 HK]

CSO: 4006

LIGHT INDUSTRY

BRIEFS

SHANGHAI TEXTILE INDUSTRY--Shanghai, 19 Oct--Seven modern textile workshops have gone into trial operation in Shanghai, using up-to-date techniques for spinning, weaving, dyeing and printing cottons, silks, woolens and mixed and chemical fabrics. The new workshops, rebuilt on old plant sites and equipped with new machines, are an experimental stage in a programme to revamp existing mills. Shanghai No. 3 Cotton Mill built a workshop in which the new self-twisting spinning frames cover an area one third less than the old machines and manpower and consumption of electricity have been cut by half. China's first gripper looms are now in use in Shanghai No. 5 Woolen Mill. This is a new form of shuttleless weaving. With a small gripper holding a piece of yarn shuttling through warps instead of a conventional shuttle, efficiency of the loom is three times as great as an ordinary loom. Computerized production management is being tried out in Shanghai No. 6 Weaving Mill. At Shanghai No. 3 Silk Mill, efficiency improved 30 percent after the mill installed a pure silk production line, and an underwear weaving and dyeing mill improved its efficiency 30 percent by installing a new cotton-polyester dyeing and finishing production line. [Beijing XINHUA in English 0740 GMT 19 Oct 79 OW]

CSO: 4006

CAPITAL CONSTRUCTION

BRIEFS

SICHUAN URBAN HOUSING--Departments concerned in Sichuan have stepped up housing in urban areas. The province has planned to build houses on 4 million square meter this year, (?17) percent greater than last year. The province has now completed houses on a million square meters, some 520,000 square meters of which have been handed over for inhabitation. On the eve of National Day, nearly 10,000 families of staff, workers and urban residents moved into their new homes. [HK091213 Chengdu Sichuan Provincial Service in Mandarin 2310 GMT 27 Sep 79 HK]

BEIJING AIR-CONDITIONED WAREHOUSE--Beijing, 15 Oct--China's first air-regulated experimental warehouse has been built in Beijing under the guidance of the foreign trade departments and the Plant Research Institute of the Chinese Academy of Sciences. The 15,000 jin of apples stored in this warehouse for 7 months are found to be fresh. The method of air regulation being used in this warehouse is far superior to refrigeration. The process is to reduce the amount of oxygen and carbon dioxide in the warehouse to control metabolism in fruits and vegetables being stored there. [Beijing XINHUA Domestic Service in Chinese 0152 GMT 15 Oct 79 OW]

GUANGDONG HOUSING--Housing construction in Guangdong is proceeding well. According to statistics, 2.86 million square meters of new housing is planned for this year, making it the best year since the founding of the new China. Of this, 680 million square meters had already been completed by the end of August 1979. [Hong Kong WEN WEI PO in Chinese 10 Oct 79 p 1]

CSO: 4006

DOMESTIC TRADE

BRIEFS

JILIN PRICE CONTROL--The Jilin Municipal Revolutionary Committee decided to carry out a general examination of market prices between mid-September and the end of this year throughout the whole city, putting emphasis on checking the prices of daily necessities and food service trades. Prices which have been raised without permission from the authorities should be reduced to the original levels, and those which have been raised covertly should be corrected. [SK250516 Changchun Jilin Provincial Service in Mandarin 1100 GMT 23 Oct 79 SK]

CSO: 4006

FOREIGN TRADE

JOINT VENTURES WITH JAPAN SOUGHT BY VICE PREMIER LI

Beijing KYODO in English no time given 11 Oct 79

[Text] Peking Oct 11 KYODO--Chinese Vice Premier Li Xiannian strongly asked for Japan's cooperation to set up Chinese-Japanese joint business ventures in China when he met a high-level Japanese business group in Peking Thursday.

The delegation of the Japan-China Association on Economy and Trade, led by its president Yoshihiro Inayama, arrived here Monday at the invitation of the China Council for the Promotion of International Trade.

The delegation promised Li to form a special study committee on the requested issue after it returns home, though delegation members mentioned some difficult problems to solve in carrying out Japanese joint ventures in a socialist country.

The meeting was also attended by Yu Qiuli, vice premier and minister in charge of the State Planning Commission; Gu Mu, vice premier and minister in charge of the State Capital Construction Commission; and Li Qiang, minister of foreign trade.

Gu Mu also heads the Foreign Investment Management Commission and the Export-Import Management Commission.

After the meeting, Inayama told newsmen he would help to establish a small-scale Japanese Chinese joint venture in China as a test case by the end of this year in response to the strong Chinese request.

The Chinese side in particular sought cooperation from Ryoichi Kawai, president of Komatsu, Ltd., who is joining the delegation. Komatsu is a principal Japanese maker of construction machinery, including bulldozers.

Observers, therefore, predicted that Komatsu might be the first Japanese firm to set up a joint venture as a test case.

According to the Japanese delegation, Wang Daohan, vice chairman of the Foreign Investment Management Commission, told them China was preparing 10 or more legislative bills related to the new law on joint ventures with foreigners.

But it will take six months or one year to have all the relevant bills put into effect, Wang explained. China hopes to establish joint ventures in China before this, he said.

Wang promised that China would follow international business customs in carrying out such ventures and strongly urged the Japanese to help the Chinese plan.

The Japanese association hopes to include government officials in the planned special committee on the joint ventures in China. The committee's main task will be to supply necessary information to Japanese concerns having interest in setting up joint ventures in China.

CSO: 4020

POLITICAL, ECONOMIC IMPORTANCE OF PRC MARITIME FLEET

Moscow VODNYY TRANSPORT in Russian 30 Aug 79 p 3

[Article by Ya. Semenov: "The Fleet of China--Politics and Economics"]

[Text] The territory of the People's Republic of China faces the Pacific Ocean. The length of its maritime boundaries is more than 3,500 km. In the country there are 10 major ports and a large number of small ones. Therefore, the fact that since 1949 China has refitted, purchased, built or controls a maritime fleet with a total deadweight of 10.3 million tons seems quite natural. The PRC is taking resolute steps today to create a mighty commercial fleet which will contribute to the transformation of the country into an economic "superpower" with a large volume of world trade.

Many Western economists have been trying to define these goals both in foreign trade and in shipping by means of the figures published in China. However, it is necessary to approach them with extreme caution, because in that country the data are often taken "out of the blue," while the statistics are fragmentary and the figures are not interconnected. In particular, the exports of Western monopolies by 1985 are tentatively estimated at \$30-40 billion, and this, on the condition of the maintenance by the PRC of a favorable balance, requires efforts in the area of shipping.

During the period from 1949 to 1961 the main principles of the policy of the country did not affect shipping. During those years China had about 150 ships (750,000 gross registered tons) and held 26th place among the 75 maritime nations. In 1958-1959 the PRC made attempts to develop its own more significant commercial fleet, which it controlled, under the flags of Hong Kong and Macao. But in most instances these attempts were unsuccessful. The steady development of the fleet began in 1970, and by the middle of 1975 China already had about 370 ships with a total deadweight of nearly 4 million tons. The number of ships increased by 197 percent, while their tonnage increased by 426 percent.

In 1977 the Chinese administration took a number of steps to control and enlarge state enterprises--the China Ocean Shipping Agency (COSA) as the main agency of the Ministry of Communications and the China Ocean Shipping

Corporation (COSCO), the main shipping company. The state freight organization (Zhong Zu) and the Maritime Arbitration Committee are a part of the Ministry of Foreign Trade, which up to now has maintained its leading role in shipping of the country. These organizations, according to the data for late 1978, ensure the management of the fleet under the flag of the PRC with the following composition: tankers--70 (a deadweight of 1,825,700 tons), bulk carriers--78 (2,650,900 tons), general cargo ships--426 (4,051,600 tons).

Starting in 1950 the Chinese Government, when purchasing transports from western shipowners, in order to protect its interests switched them to the "flag of convenience" of Somali, while in 1976-1977 it registered this fleet in Panama.

In Hong Kong the PRC controls a number of shipping companies which take part in the shipment of Chinese goods. Far Eastern Enterprises, Co. (FARENCO) which is registered in this British colony, is an intermediary between capitalist shipping companies and the state agency of foreign trade corporations of China. True, the attention toward the false flags of Macao and Hong Kong, under which about 1 million gross registered tons are registered, has abated somewhat in connection with large-scale purchases of secondhand ships in the West.

The largest company controlled by the PRC is China Merchant Steam Navigation (Hong Kong), a shipowner and agent, which operates under the direct management of the Chinese shipping company and the Ministry of Communications of that country. Ocean Tramping and Yick Fung (Hong Kong) belong to the three front firms, but, in addition to this, are the connecting link for 10 small shipping companies. These two companies own under the Panamanian and British flags 12 tankers (a deadweight of 156,900 tons), 26 bulk carriers (836,600 tons) and 71 dry-cargo ships (755,100 tons).

Today there has been noticed a tendency to decrease the number of Chinese ships under the "flags of convenience" of Somalia, Cyprus, Liberia and Panama, mainly, so it is explained, for political motives. However, with the expansion of trade and other relations this excuse is no longer valid. At the same time the existing controlled companies are developing extensive activity. For example, in the second half of 1978 Ocean Tramping concluded a contract for the delivery to it of 8 Ro-Ro ships at a total cost of \$100 million. These ships will operate under the Panamanian flag.

The exact size of the fleet controlled by China defies calculation. There are many reasons for this: the constant redistribution of the fleet among "flags of convenience," dual transfer to a "flag of convenience," the secrecy of the operations being performed and so forth.

In using ships under a "foreign" flag, the PRC is pursuing the following goals: to promote shipments where the Chinese flag is unacceptable for political or other reasons, to establish contacts with countries which have imposed legislative restrictions of shipping, to obtain a profit from the use of ships which are inexpensive, but suitable for chartering, to get rid of

excess tonnage if necessary, to achieve independence in commercial transactions on purchases of ships and in the placing of orders.

It is also necessary to include in the size of the total controlled fleet of the PRC the fleet which provides coastal shipping--about 320 additional ships, the tonnage of which has not been determined.

The owned and controlled fleet ensures in excess of 50 percent of the foreign trade of the country, including in 1978: general cargoes--70 percent, bulk cargoes--50 percent, tanker cargoes--58 percent. In this connection it is appropriate to note that the PRC is successfully chartering ships to Japan, Greece and other countries.

The actions of China in the area of chartering "foreign" or its own ships under "foreign" flag are being combined with a program of the construction and purchase of new ships. Last year about 40 ships were ordered from the main shipbuilders of Japan. This number includes 11 dredging ships with a great productivity, 8 Ro-Ro ships and 7 support ships.

It is anticipated that the Chinese imports of the fleet in 1979 will reach a record level. The total cost of all the ships ordered in Japan is estimated at \$90 billion. Among them are geophysical, scientific research, support, fishing and other ships.

The latest data indicate that the PRC is also placing orders for the construction of the fleet in a number of other countries, for example, Denmark and Malta, which will deliver ships which correspond to modern concepts of shipbuilding. At the same time, while having limited shipbuilding capacities, China nevertheless has launched the construction on its own ships of various classes: tankers with a deadweight of 3,000 to 50,000 tons at the yards of Hongqisu, dry-cargo ships with a deadweight of 10,000 tons at Guangzhou and 25,000 tons at Hongtong and Jiannan. The PRC shipyards are poorly equipped, their staffs are poorly manned with technical specialists, but, as was officially announced recently, the four leading shipbuilding companies of Japan have undertaken to assist in the modernization of the Chinese shipbuilding industry.

For a long time China has been continuing the practice of purchasing second-hand coal-powered ships for transporting general cargo. About 100 such "nonstandard" steamships, which do not meet the basic safety requirements of seafaring, were bought in a little more than a year. Of course, their operation will represent a certain threat to international shipping, since, according to the information of informed circles, many of these ships are in very poor technical condition, especially their engines and other major subassemblies, and it is necessary to purchase spare parts for their repair in Europe.

Along with the increase of the number of ships the zone of operation of the Chinese fleet is also growing. Today it includes 400 ports in 100 countries of the world.

It is understandable that all this requires substantial capital investments. It is known that the expenditures on the purchase of the fleet and the modernization of shipbuilding and ports in the PRC in the past 18 months have been 600 million U.S. dollars.

The process of containerizing freight and creating the appropriate infrastructure at the same time as supplementing the fleet with the appropriate ships is encountering objective difficulties, although observers back in 1977 noted that China is already "on the threshold" of containerization. Regular feeder service exists between Shanghai, Qingdao and Huangpu, on the one hand, and Hong Kong and Japan, on the other. A specialized container ship under the PRC flag operates on the Shanghai-Australia line.

The difficulties of containerization lie in the fact that door-to-door service is impracticable for the country, where the majority of cargo is delivered to inland regions of China over rivers on junks and barges, the carrying capacity of which is too small for container shipments. Moreover, it is necessary to find enormous assets for the substantial reconstruction of ports, but China proposes to deal with this task in the plan of the modernization of large structures. In particular, the reconstruction program will depend on the results of the studies being made by the Danish firm, East Asiatic Company, at the ports of China. This company is the conduit of the "shipping" ideas of China in western countries, transactions and agreements with capitalist firms are accomplished through it.

The program of the development and modernization of the ports of China calls for the construction of petroleum mooring structures, the improvement of port equipment for handling bulk carrier cargo, the construction at the leading ports of deepwater moorages capable of handling large-tonnage tankers and dry-cargo ships and the use of computers at the five main ports of the country.

Although the PRC is continuing the modernization of its ports (according to reports there are now 24 container terminals in the country), the containerization program will recede into the background due to the lack of equipment for conventional cargo operations. The shortage of equipment is being felt especially acutely at the petroleum ports of the country--the main supplier of foreign currency for backing the plan of the Four Modernizations.

In the Western press notes of apprehensions are already beginning to slip into laudatory or encouraging articles. Shipping circles of the West not without reason believe that, in pursuing the goal of becoming a "superpower," the Chinese administration is also revising its plans on the international routes of commercial seafaring. "China is taking steps to transform itself into a major shipowner and operator," "China will soon rise on the world freight scene"--such is the leitmotif of foreign publications.

The main conclusion from the analysis of today's shipping policy of the PRC is that the Chinese leaders are pursuing a vigorous policy of increasing the tonnage of the fleet, not only seeing in this the economic conditions for trade contacts with other countries, but also understanding above all that by means of a powerful modern fleet they will be able to solve many political problems.

TRANSPORTATION

SEAPORT CONSTRUCTION IN CHINA

Beijing RENMIN RIBAO in Chinese 18 Jul 79 p 2

[Commentary by staff reporter: "Accelerate Harbor Construction Along Seacoasts, Develop Inland River Shipping--How to Cope With the Lack of Wharves and Berths in Seaports"?]

[Text] At present, communications and transportation constitute a weak link in our national economy. The lack of wharves and berths in ports along the seacoasts, and frequent delays of shipping and freight, have become a very outstanding contradiction in our industrial and agricultural production and the development of foreign trade.

Since 1973, our harbors along the coasts have built and expanded 47 deep-water berths for vessels of 10,000-ton class or upward; meanwhile, some old wharves in harbors have been renovated, so that their total cargo-handling capacity is now 66 percent more than in 1972. However, during the same period, the volume of sea freight in foreign trade increased by 107 percent. The speed of harbor construction falls far behind the speed of increase of foreign trade. There is a serious imbalance between these two. According to statistics of the departments concerned, at present about 230 ships engaged in foreign trade arrive at our harbors every day to load and unload cargo; however, only about 90 of them can take up a berth and carry out loading and unloading operations on the wharf. Last year, major ports along the seacoasts received more than 6,600 foreign ships. Due to the shortage of berths, each ship must wait an average of 3 days before berthing for operation. Therefore, our government paid large amounts of foreign currency as compensation. If this situation is not changed quickly, there will be even greater losses to our country.

The fundamental way of coping with such delays in shipping and freight at ports is to energetically undertake harbor capital construction and increase greatly the number of deep-water berths. However, under present conditions, it is still impossible to make a great deal more investment in this field all at once. Besides, it will take time to complete the work of construction, and the pressing difficulty at present will remain unsolved. How then to cope with the current situation? At a conference on increasing production and practising economy, held recently by enterprises directly subordinate to the

Ministry of Communications, the delegates discussed the tasks of all communication departments in readjusting, restructuring, consolidating, and improving the national economy. They believe that to improve the work of cargo handling in harbors, it is necessary to accelerate the construction of port facilities and, in addition, stand on the existing foundations, fully mobilize the masses in tapping potentials, renovation, and transformation; bring into play the potential of existing berths, manpower, and mechanical equipment at harbors; accelerate the loading and unloading of cargo for vessels on arrival at ports; and speed up the transportation of goods from the wharves.

Some comrades hold that with the existing port facilities as they are, tapping their potential means a "difficulty for even a clever housewife to prepare meals without rice." Others argue that in our harbors, "water is not deep enough, berths are too few, equipment is out of date, and wharves are too old"; we are indeed "helpless" to further increase production. These ideas of "no more potential to tap" and "production reaching its limit" are not right. The Shanghai harbor is an old harbor with a 100-year history. As for its conditions, it is not the best of the major harbors along the seacoast. Its coastline is only 12 kilometers. There are only 99 berths (including 50 deep-water berths) and up to now not much mechanical equipment has been added for loading and unloading cargo. But Shanghai harbor is taking the heaviest task; on the average, every year more than 5,000 ships enter and leave the port, carrying cargo from more than 100 countries and regions. Thus, under such existing conditions, Shanghai harbor has set a record of handling some 80 million tons of cargo every year. On the present basis, it has achieved the advanced level of the 70's.

An important aspect of the experience of Shanghai port is that they have continuously raised the standard of management by readjusting enterprises, and have made great efforts toward rejecting the ideas of "no more potential to tap" and "production reaching its limit," and in carrying out potential-tapping, renovation, and transformation. To cope with the shortage of berths, they have introduced many measures. First, they tried by every means to open as many hatches of a ship as possible for operation. Last year, the average number of hatches of a foreign ship opened for loading and unloading operations in Shanghai harbor was 2.28; this year, it has increased to three, so that the operation of three ships is, on the average, almost equal to that of one more berth, thus greatly accelerating shipping turnover. Secondly, they have used afloat buoys instead of berths for loading and unloading. The Shanghai port authorities made a careful study of the nature of cargo suitable for operation at buoys, learned the experience of loading and unloading cargo at buoys from some ports in foreign countries, and began operation at afloat buoys on the principle of assuring the free passage and safety of waterways. As a result, in May alone the harbor increased its facility by an equivalent of five additional berths. Thirdly, they have used lighters and barges to unload part of the cargo carried by a ship of large tonnage anchored outside the harbor, so that the ship can enter Shanghai port in good time and shorten the period of its stay in port. Furthermore, they have also carried out technical renovation of existing mechanical equipment, and have raised continuously the efficiency of loading and unloading cargo.

The practical experience of Shanghai port proves that the foregoing measures are truly effective means of coping with the present shortage of berths and the delay of shipping and freight in our harbors. These measures can also be put in force at other major ports along our seacoasts. The departments concerned made the following calculation: in the first quarter of this year, an average of 418 operation lines for loading and unloading were open daily in nine major seaports; the average number of hatches of each ship in operation was only 2.57. If this number could be increased to three, it would mean that without spending one cent in investment, the government could have 23 additional deep-water berths. If ports with favorable conditions, such as Qingdao and Huangpu, could carry out loading and unloading at afloat buoys, the average number of foreign ships in operation daily would be more than 100.

There is one more important experience of coping with the delay of shipping and freight: that is, the departments concerned must have positive coordination and work in close cooperation. There are many links in the work of cargo-handling in ports, involving departments of harbor, shipping, railways, highways, foreign trade, commodities, and commerce. It is not adequate to rely on the department of harbor alone in tapping potential. If one of the links fails, the whole plan of cargo-handling will be in a mess. If goods stored in a harbor cannot be removed and sent on their way, and the warehouses are fully packed, the unloading of cargo from ships arriving later will be affected, there will naturally be a delay in shipping and freight, and the harbor may even be blocked. Therefore, all departments should proceed from the interests of the country as a whole, take the planning of foreign imports and the work of unloading and transport as one task, work in cooperation, and ensure that all the plans of the railway, shipping, harbor, freight and storage mesh with one another and form a unified plan, connected link by link for smooth operation without interruption. In this respect, the railway department of Dalian prefecture is an example worthy of imitation. In the past, mineral ores were imported into Dalian port and transhipped to Anshan Steel Works. As railroad cars were short in supply, large quantities of ore were accumulated in the harbor. Since November last year, the railway department organized special ore trains with 243 fixed cars to run regularly between Dalian harbor and Anshan Steel Works. As a result, every ore-carrying ship has shortened the period of its stay in port from 19.9 days to 10.3 days, and the efficiency of ore shipment has more than doubled. The shortening of the shipping schedule alone has saved more than 18 million yuan of people's currency. If the railway departments of other places can act as the railway department of Dalian prefecture in providing necessary cars for harbor transport, all our major seaports can raise their capacity of transhipment by 30 percent.

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TRANSPORTATION

BRIEFS

XINJIANG ASPHALT HIGHWAY--Urumqi, 18 Oct--In Xinjiang, over 6,800 kilometers of highways are surfaced with asphalt, or one-third of the total mileage of highways opened to traffic. Xinjiang has a highway network with Urumqi as its center. All counties and 90 percent of the communes and 80 percent of the production brigades in Xinjiang are now accessible by motor vehicle. Over 23,800 kilometers of highways are open to traffic in Xinjiang. [OW210604 Beijing XINHUA Domestic Service in Chinese 0213 GMT 18 Oct 79 OW]

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